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SAUDI ARABIA SCOTLAND SINGAPORE UNITED ARAB EMIRATES UNITED STATES

AUSTRALIA AZERBAIJAN BRAZIL



SHAWCOR

ENERGY SERVICES • GLOBAL SOLUTIONS

CANADA CHINA ENGLAND GERMANY INDONESIA MALAYSIA MEXICO

NIGERIA NORWAY POLAND RUSSIA SAUDI ARABIA SCOTLAND SINGAPORE

UNITED ARAB EMIRATES UNITED STATES

SHAWCOR LTD.

IS A GROWTH ORIENTED ENERGY

SERVICES COMPANY SPECIALIZING

IN TECHNOLOGY BASED PRODUCTS

AND SERVICES FOR EXPLORATION

AND PRODUCTION, PIPELINE AND

PETROCHEMICAL AND INDUSTRIAL

MARKETS WORLDWIDE. THE

COMPANY OPERATES THROUGH

SIX BUSINESS UNITS AND ITS

50% INTEREST IN BREDERO -

SHAW WITH MANUFACTURING

AND SERVICE FACILITIES LOCATED

AROUND THE WORLD.

FINANCIAL SUMMARY

(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	2001	2000
OPERATING RESULTS		
Revenue	\$ 688,682	\$ 467,208
EBITDA *	\$ 87,728	\$ 59,880
Net income for the year	\$ 33,376	\$ 23,860
Net income per share, Class A and Class B - Basic		
Continuing operations	\$ 0.55	\$ 0.32
Discontinued operations	\$ —	\$ 0.07
	\$ 0.55	\$ 0.39
Net income per share, Class A and Class B - Diluted		
Continuing operations	\$ 0.54	\$ 0.32
Discontinued operations	\$ —	\$ 0.07
	\$ 0.54	\$ 0.39
CASH FLOW		
Cash provided by operating activities	\$ 30,346	\$ 31,995
Additions to capital assets	\$ 86,458	\$ 24,394
FINANCIAL POSITION		
Working capital	\$ 80,363	\$ 119,135
Total assets	\$ 620,625	\$ 466,523
Shareholders' equity per share (Class A and Class B)	\$ 6.16	\$ 5.60

*Refer to Six Year Review following the notes to the consolidated financial statements.



REVENUE
(\$ MILLIONS)



EBITDA
(\$ MILLIONS)



NET INCOME
(\$ MILLIONS)



SHAREHOLDERS' EQUITY
(\$ MILLIONS)



LESLIE E. SHAW
CHAIRMAN OF
THE BOARD

GEOFFREY F. HYLAND
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

2001 RESULTS

ShawCor Ltd. became the name of the company on May 4, 2001 following the receipt of shareholder approval to change from Shaw Industries Ltd. The new name provided the company with an opportunity to introduce a more readily identifiable image based upon the theme "Energy Services • Global Solutions". This new look is being applied consistently in all global markets where ShawCor conducts business. By the end of 2001, customers, suppliers and employees had accepted the ShawCor name to such an extent that it already feels as though it has been in place for a long time.

The year 2001 demonstrated the cyclical nature of the energy industry with natural gas prices dropping from record highs during the 2000-2001 winter heating

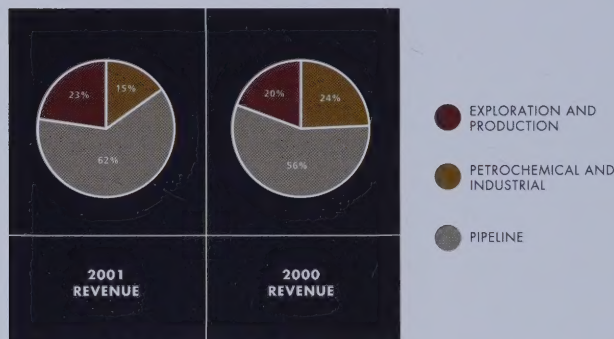
season to near record lows during the third quarter of the year. This cycle was triggered by reduced economic activity and rapidly increasing supplies resulting from increased gas drilling, lower gas consumption by industrial users during the price peak and the perception that the commodity was no longer in short supply. Gas prices have remained low during the current winter due to mild weather and high levels of gas in storage. As the reduction in economic activity spread to international markets, the demand for oil declined and world oil prices dropped by approximately 30 percent by the end of the third quarter of 2001.

This rapid decline in commodity prices, during the second half of the year, began almost immediately

to impact activity levels in the North American exploration and production sector. This in turn translated into a reduction in drilling activity, rig utilization rates and capital spending by sector participants, initially in North America and, to a lesser extent, in international markets. During the third quarter, order input for new drill pipe at OMSCO declined and the division worked through the backlog of orders that were in the system at mid-year. In the fourth quarter, OMSCO reduced the output of drill pipe in order to more closely align production rates to market demand. The decline in exploration activity in western Canada occurred to a greater extent in the drilling of shallow gas wells. At Guardian, which obtains the majority of its revenue from the inspection and maintenance

of tubulars utilized in deeper gas and oil wells, service levels continued at a steady pace through the year as the impact of reduced drilling during the second half did not impact maintenance activities in the same way as drill pipe sales.

It is anticipated that the lower levels of capital spending will result in a reduction of 20 to 30 percent in the number of oil and gas wells drilled in Canada and the United States in 2002 versus 2001, while conversely, international activity levels will remain relatively steady on a year-over-year basis. With the high level of production decline rates experienced in North American gas wells, there has been no material increase in gas supply, notwithstanding the large number of wells drilled during 2000 and 2001. As



the recovery in economic growth begins to support increased energy demand, supply pressures will lead to higher prices followed by a recovery in exploration and production expenditures as the year progresses.

In the pipeline sector, global project activity was depressed throughout 2000. In 2001, activity levels began to recover, initially in the Middle East and Far East and new opportunities emerged as major projects were implemented to expand oil and gas production in the deepwater markets of the Gulf of Mexico and West Africa. As the significance of the deepwater markets began to evolve, Bredero – Shaw implemented a two-part strategy to secure a leading position in this sector, the first element of which was the commitment of resources to establish a full-service coating facility near Mobile, Alabama, dedicated to serving this market. This

facility, located on Mobile Bay, provides direct access for all types of vessels including ocean-going ships and barges serving the shallow and deepwater sectors of the Gulf of Mexico. Construction operations continued at this facility throughout 2001 and will not be completed until early in 2002. This state-of-the-art facility will provide multiple joint pipe welding capabilities as well as insulation, corrosion and weight coating systems designed to meet demanding performance requirements at water depths exceeding 5,000 feet. The range of products for deepwater applications available at the Mobile facility, including syntactic foam and pipe-in-pipe insulation systems, position the company to serve this important market.

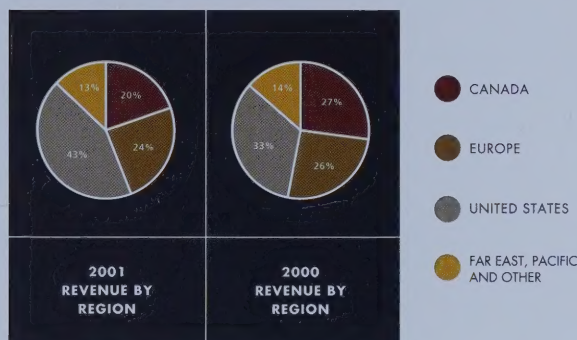
A second element of Bredero – Shaw's deepwater strategy focused on securing a leading position in the provision of new, sophisticated

pipeline coatings, insulation products and related services for demanding deepwater installations. One key element of this program included the acquisition of Thermotite A.S., a Norwegian company specializing in custom designed flow assurance insulation systems for deepwater pipeline applications. Thermotite's technologies and capabilities will enhance the range of new deepwater products being offered worldwide by Bredero – Shaw and are among the products offered at the Mobile facility. Bredero – Shaw also completed a second acquisition with the purchase of Commercial Resins de Mexico, S.A. de C.V., the largest pipe coater in Mexico. This company, renamed Bredero – Shaw de Mexico has pipe coating facilities adjacent to the Tubacero pipe mill at Monterrey and the Tenaris pipe mill at Veracruz. Bredero – Shaw de Mexico is able to offer a significantly enhanced

product range to serve the domestic Mexican market, the Gulf of Mexico and export markets worldwide.

While the North American and European pipeline transmission markets continued to exhibit relatively low activity levels in 2001, Canusa – CPS was able to achieve sales growth through the introduction of new products and by securing several major international projects during the year. Sales at Shaw Pipeline Services were enhanced with the successful integration of Edwards Pipeline Services, the Tulsa, Oklahoma-based pipeline girth weld inspection business acquired in December 2000.

The petrochemical and industrial sector achieved mixed results during 2001. Infrastructure investment in the communications market ceased as overbuilding and financial weakness exhibited by many participants brought equipment purchases almost to a standstill.



Although affected by the downturn in the broadband sector of the communications market, DSG – Canusa continued to focus on growth plans in other markets including the electrical, utility, electronic and automotive industries. At ShawFlex, an increase in infrastructure investment for new electrical generation capacity in the United States and increased expenditures at several major oil-sands projects in Alberta supported both volume and margin gains for wire and cable throughout the year.

In 2001, ShawCor implemented several important capital programs to prepare the company's business units to fully participate in the long-term growth in demand for their products and services. These programs committed expenditures, including ShawCor's share of investments made by Bredero – Shaw, of over \$100 million beginning in 2000 and continuing through

2001 and into 2002. A significant portion of this investment was focused on achieving or maintaining a leadership role for each of the ShawCor businesses in its specific operating sector.

Profitability at Bredero – Shaw was impacted by one-time costs associated with the start-up of the Mobile deepwater facility. These costs were incurred in order to meet customer commitments as the facility was required to weld, coat or insulate significantly higher volumes of pipe than initially expected during a time when much of the operation was still under construction. Additional resources have been committed to address these issues to ensure that the facility will be capable of achieving higher profitability levels in 2002. Profitability at Shaw Pipeline Services was also impacted by industry over-capacity, which put pressure on pipeline girth weld inspection margins. Cost reduction efforts,

coupled with an expected increase in pipeline construction activity beginning in the second half of 2002, are expected to reverse this trend.

PREPARING FOR THE FUTURE

Priorities for 2002 include consolidating and strengthening ShawCor's position in all key market segments. Stable energy prices and renewed economic growth will allow increased utilization of new facilities and other capacity additions completed in 2001 and early 2002. A continuing emphasis on cost control and improved working capital utilization, at both the wholly-owned divisions and Bredero – Shaw, will contribute to increased earnings growth and the achievement of higher returns in all ShawCor businesses. Although it is not clear just when the energy industry will begin to benefit from a return to renewed economic growth and

investor confidence, we have positioned ShawCor to be in a stronger position to take advantage of the inevitable recovery.

ShawCor also strengthened its Board of Directors during the past year with the addition of Bill Sheridan, Managing Partner of Lang Michener, Paul Robinson C.A., President and General Manager at Litens Automotive Group and Donald Vaughn, Consultant and former Vice Chairman of Halliburton Company.

Geoffrey Hyland

GEOFFREY F. HYLAND
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

Leslie Shaw

LESLIE F. SHAW
CHAIRMAN OF THE
BOARD



GLOBAL ENERGY SERVICES,
TECHNICAL INNOVATION,
MARKET DIVERSITY.
SHAWCOR IS BUILDING
FOR THE FUTURE.



AERIAL VIEW OF NEW BREDERO - SHAW COATING FACILITY NEAR MOBILE, ALABAMA, WHICH PROVIDES SPECIALIZED COATINGS, INSULATION PRODUCTS AND WELDING SERVICES FOR DEEPWATER APPLICATIONS IN THE GULF OF MEXICO.



OMSCO is one of the world's leading manufacturers of premium drill string components including drill pipe, heavy-weight drill pipe, drill collars and accessories for oil and gas drilling.



Guardian is a leading provider of a complete range of tubular management services including mobile and in-plant inspection and repair of drill pipe and oil country tubular goods.

BREDERO - SHAW

Bredero - Shaw provides specialized coating systems and related services for insulation, corrosion pro-

tection and weight coating applications for land and marine pipelines.

HIGHLIGHTS

- NAME CHANGES TO SHAWCOR AND NEW CORPORATE AND DIVISIONAL IMAGE PROGRAM IMPLEMENTED.
- REVENUE INCREASES BY 47.4% TO \$688.7 MILLION AND EBITDA INCREASES BY 46.5% TO \$87.7 MILLION IN 2001.
- NET INCOME INCREASES BY 39.9% TO \$33.4 MILLION AND DILUTED EARNINGS PER SHARE GROWS FROM \$0.39 TO \$0.54 IN 2001.
- SHAWCOR COMMITS OVER \$100 MILLION FOR NEW EQUIPMENT AND PROCESSES TO MAINTAIN TECHNOLOGY LEADERSHIP POSITION IN EACH BUSINESS UNIT.
- SHAWCOR ADDS NEW CAPACITY REQUIRED TO MEET ANTICIPATED LONG-TERM GROWTH IN DEMAND FOR PRODUCTS AND SERVICES.



SHAW PIPELINE SERVICES

Shaw Pipeline Services provides a complete range of ultrasonic and radiographic girth weld inspection services for land and marine pipelines.

CANUSA-CPS

Canusa – CPS develops and manufactures heat-shrinkable joint protection systems, adhesives, sealants and liquids-based coating systems for oil, gas and district heating pipeline applications worldwide.

SHAWFLEX

ShawFlex is a world-class manufacturer of instrumentation and control cable including thermocouple, armoured, tray, traffic signal, robotic, marine/shipboard, nuclear and utility cables.

DSG-CANUSA

DSG – Canusa manufactures heat-shrinkable tubing, sleeves, moulded products and kits for protecting and sealing cable joints and terminations in electrical, electronic, automotive and communications applications.

To build for the future, OMSCO initiated several major capital programs during 2001. Work was completed on a fully automated pipe handling system to improve plant safety and more efficiently feed pipe to the division's newest upsetter, which flares and thickens the drill pipe ends to provide the strength needed in the area where the tool joints are attached.

Another key addition at OMSCO was the acquisition of tool joint forging equipment from General Dynamics. Following the acquisition, General Dynamics continues to operate the forging line under a toll-manufacturing contract. Control of this equipment ensures the supply of this critical com-

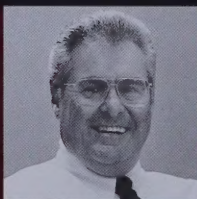
ponent and allows OMSCO to produce drill pipe of the highest quality while meeting the exacting service levels of the division's key, high volume customers.

Following a strong first half, orders declined along with drilling activity. Capacity added prior to 2001, however, allowed OMSCO to take advantage of an

upswing in orders during the first half of the year that was partly due to surging drilling activity associated with last winter's spike in natural gas prices. When order input softened during the second half of the year, OMSCO was able to complete several key capital projects, strengthening its competitive position for the future.



"OMSCO IS NOW WELL POSITIONED TO RESPOND TO RISING DEMAND FOR DRILL PIPE AS DRILLING ACTIVITY INCREASES LATER IN 2002."



DOUG GOODRIDGE
VICE PRESIDENT &
GENERAL MANAGER
OMSCO



OMSCO'S NEW, ROBOTIC PIPE HANDLING SYSTEM FEEDS SEAMLESS STEEL TUBES INTO THE DIVISION'S NEWEST UPSETTER.

HIGHLIGHTS

- **PROJECTS TO INCREASE CAPACITY AND REDUCE MANUFACTURING COSTS, INITIATED IN 2000, PAY DIVIDENDS AS VOLUME RISES EARLY IN 2001.**
- **OMSCO COMPLETES SEVERAL CAPITAL PROGRAMS DESIGNED TO IMPROVE OPERATING EFFICIENCIES IN 2001 AND BEYOND.**
- **GUARDIAN/OMSCO DISTRIBUTION RELATIONSHIP IN CANADA AND MEXICO ADDS VALUE TO BOTH DIVISIONS.**
- **INCREASED USE OF DIRECTIONAL AND DEEPER DRILLING WILL LEAD TO MORE RAPID DRILL PIPE WEAR AND INCREASED CONSUMPTION.**
- **FOLLOWING A SOFT FIRST HALF, DRILLING ACTIVITY IS EXPECTED TO BEGIN TO RECOVER IN THE SECOND HALF OF 2002.**

In 2001, Guardian continued to build for the future by making significant investments in both new equipment and facilities. Construction began on a new pipe inspection facility in Fort St. John, to service the increased drilling activity in northeastern British Columbia. In addition, mobile inspection equipment was based even further north at

Fort Nelson in order to provide better service to drilling contractors working in northern B.C., the Yukon and the Northwest Territories. Machine shop capacity was increased in Edmonton and yard storage capacity at the Red Deer inspection facility was expanded to meet customer requirements in central Alberta. In Mexico, a new inspection base was opened at

Reynosa while additional portable equipment was utilized to serve customer needs at several additional new locations.

Through the use of computerized pipe inspection and pipe data management systems, Guardian leads the tubular inspection industry in the provision of customer-oriented service solutions. For example, the division

introduced a new, internally developed, mobile, combined Ultrasonic and Electromagnetic (EMI) pipe inspection vehicle in 2001. At the end of the year, final trials were completed on a new, internally developed over-the-well inspection unit that will provide state-of-the-art inspection of customer production strings as they are pulled from the well.



"GUARDIAN HAS TAKEN THE INITIATIVE TO PROVIDE NEW OR EXPANDED FACILITIES IN THE FAR NORTH AND OTHER LOCATIONS TO BETTER SERVE CUSTOMER NEEDS."



KEN WILLSON
VICE PRESIDENT &
GENERAL MANAGER
GUARDIAN



GUARDIAN TECHNICIANS UTILIZE PORTABLE, COMPUTERIZED DRILL PIPE INSPECTION EQUIPMENT UNDER DEMANDING CONDITIONS AT REMOTE RIG SITES.

HIGHLIGHTS

- **NEW FACILITY IN FORT ST. JOHN AND OPERATING BASE IN FORT NELSON POSITION GUARDIAN TO SERVE FUTURE GROWTH IN THE NORTH.**
- **GUARDIAN ADDS A NEW OPERATING BASE IN REYNOSA AND INCREASES MOBILE SERVICE CAPACITY IN THE GROWING MEXICAN MARKET.**
- **IMPACT OF DECLINE IN DRILLING ACTIVITY TEMPERED BY MOVE TO DIRECTIONAL AND DEEPER DRILLING WHICH REQUIRE INCREASED DRILL PIPE MAINTENANCE.**
- **NEW SERVICES AND TECHNOLOGIES ADDED IN 2001 WILL CONTINUE TO GENERATE INCREASED REVENUE/PROFITABILITY.**
- **GUARDIAN WILL CONTINUE TO USE TECHNOLOGICAL LEADERSHIP TO DIFFERENTIATE SERVICE OFFERINGS IN ALL MARKETS.**

Bredero - Shaw is a global pipe coating business, employing over 2,000 people at facilities in 16 countries and is equally owned by ShawCor and Halliburton Company.

During the second quarter of 2001, coating operations for several major

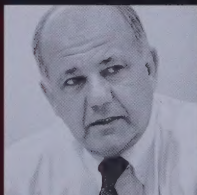
offshore projects began at Bredero - Shaw's new deepwater facility in Mobile, Alabama. This facility, located near the mouth of Mobile Bay, provides direct access for loading barges serving all shallow and deepwater sectors of the Gulf of Mexico. Construction operations continued at

this facility throughout 2001 and will not be completed until the first quarter of 2002. When completed, this facility will provide state-of-the-art pipe welding capable of producing double, triple and quad joints of pipe together with insulation, corrosion and weight coat-

ings designed to meet demanding performance requirements at water depths of over 5,000 feet. The range of unique products for deepwater applications available at the Mobile facility, including syntactic foam, pipe-in-pipe insulation systems and other new, high technology coating

BREDERO - SHAW

"BREDERO - SHAW HAS THE CAPABILITY TO PROVIDE HIGH PERFORMANCE CORROSION COATING AND INSULATION SYSTEMS FROM PERMANENT OR PROJECT LOCATIONS WORLDWIDE."



MIKE REIZER
PRESIDENT
BREDERO - SHAW



STACKS OF BARE PIPE AND PIPE COATED WITH YELLOW JACKET™ CORROSION COATING AT BREDERO - SHAW'S EXPANDED 34TH STREET FACILITY IN EDMONTON, ALBERTA.

HIGHLIGHTS

- **FIRST REVENUE GENERATED AT MOBILE DEEPWATER FACILITY WHILE PLANT STILL UNDER CONSTRUCTION.**
- **NEW PIPE INSULATION PRODUCTS INTRODUCED FOR DEEPWATER APPLICATIONS.**
- **GULFSTREAM OFFSHORE PIPELINE PROJECT SUCCESSFULLY COMPLETED WITH COATING PERFORMED AT THE MOBILE, ALABAMA FACILITY AND A PROJECT FACILITY IN FLORIDA.**

and insulation products, will position the company firmly in this important market.

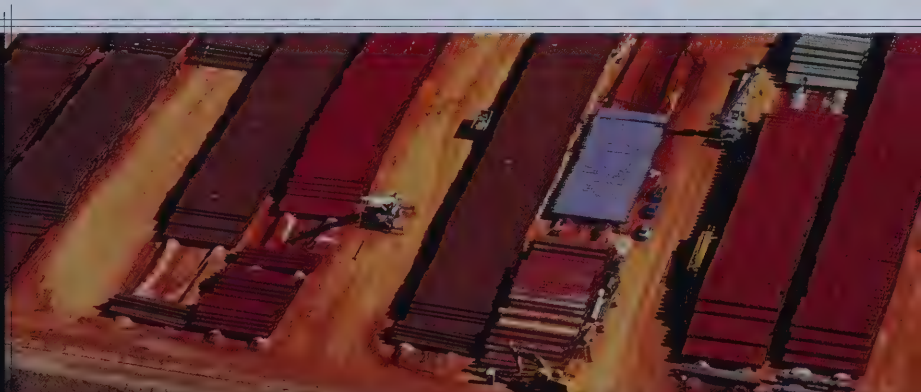
Another substantial program, completed in 2001, was the consolidation of the existing coating facilities in Edmonton into two facilities including an

expanded, 75 acre 34th Street facility with increased capacity to provide Yellow Jacket™ corrosion coatings and polyurethane insulation systems.

Bredero - Shaw also completed two significant acquisitions in 2001;

Thermotite A.S., a Norwegian company specializing in high performance insulation systems suited to deep-water applications and Commercial Resins de Mexico, the largest pipe coater in Mexico. These acquisitions, along with the investment in the

Mobile coating facility, will position Bredero - Shaw as the preeminent pipecoater for the deep-water market, both in the Gulf of Mexico and worldwide.



PIPE HANDLING EQUIPMENT STACKS BARE AND COATED PIPE AT BREDERO - SHAW'S
NEW DEEPWATER FACILITY IN MOBILE, ALABAMA.

HIGHLIGHTS

- **TWO ACQUISITIONS STRENGTHEN BREDERO - SHAW'S POSITION IN GLOBAL DEEPWATER MARKETS.**
- **KUANTAN, MALAYSIA PLANT EXPANDED TO MEET GROWING DEMANDS IN THE SOUTH EAST ASIA MARKET.**
- **PROJECT ACTIVITY IN THE NORTH SEA BEGINS TO RECOVER AFTER A TWO-YEAR LULL.**

Shaw Pipeline Services has positioned itself for growth in the U.S. land and offshore markets through the acquisition and integration of Edwards Pipeline Services into the division and the opening of a new Houston sales and service center in

2001. The division is now focused on major land and offshore ultrasonic pipeline weld inspection markets and is leading the conversion of the U.S. land pipeline market from radiographic to ultrasonic inspection.

Shaw Pipeline Services has continued to improve

its technology leadership position in both ultrasonic weld inspection hardware and software and is well positioned to grow as international project activity increases. The division also offers in-plant weld inspection services wher-

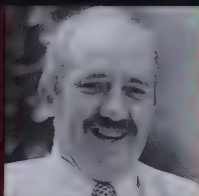
ever multiple pipe joints are welded prior to coating in order to ensure the integrity of these products for severe service deepwater applications.



SHAW PIPELINE SERVICES

A SHAWCOR COMPANY

"SHAW PIPELINE SERVICES IS DEVELOPING NEW, PROPRIETARY ENHANCEMENTS FOR ITS ULTRASONIC GIRTH WELD INSPECTION SYSTEM TO PROVIDE INCREASED ACCURACY FOR CRITICAL SERVICE APPLICATIONS."



LES HUTCHISON
VICE PRESIDENT &
GENERAL MANAGER
SHAW PIPELINE SERVICES



COMPLEX TRANSDUCER ARRAY UTILIZED TO TRANSMIT AND RECEIVE ULTRASONIC SIGNALS THROUGH THE PIPELINE GIRTH WELD.

HIGHLIGHTS

- SUCCESSFULLY INTEGRATED THE EDWARDS PIPELINE SERVICES ACQUISITION IN 2001.
- COMPLETED DEVELOPMENT OF ULTRASONIC PHASED ARRAY INSPECTION AND NEW, AUTO DETECTION SOFTWARE TO INCREASE ACCURACY AND EFFICIENCY.
- COMPLETED FIRST MAJOR ALL U.S. PIPELINE WITH ULTRASONIC INSPECTION OF PIPE UTILIZING AUTOMATIC WELDING FOR COLORADO INTERSTATE.
- LONG-TERM OUTLOOK IS POSITIVE, WITH MAJOR PIPELINE PROJECTS ANTICIPATED IN SEVERAL REGIONS OF THE WORLD AND ONGOING DEEPWATER WORK.

To build for the future, Canusa - CPS commenced a plant capacity expansion program at the division's primary manufacturing facility in Huntsville, Ontario. This program included a new adhesive mixer and adhesive coating line, which will

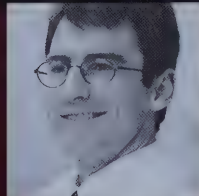
provide greater flexibility to meet current customer needs and allow for anticipated future growth. At the same time, Canusa - CPS has also been able to achieve significant cost reductions that both improve profitability and strengthen the division's ability to compete in domestic and international markets.

The development of new products based upon leading edge material technologies is always a primary focus at Canusa - CPS. In 2001, the division introduced a new, polypropylene sleeve system, the GTS-PP,

designed specifically for deepwater and high temperature applications. In addition, the division also introduced a new, high-build liquid epoxy coating system for 95°C applications called HBE 95.



"CANUSA - CPS DEVELOPS AND MANUFACTURES JOINT PROTECTION SYSTEMS THAT ARE COMPATIBLE WITH ALL TYPES OF COATINGS FOR LAND, OFFSHORE AND DEEPWATER PIPELINES."



RON DUNN
VICE PRESIDENT &
GENERAL MANAGER
CANUSA - CPS



NEW, HIGH CAPACITY ADHESIVE MIXER PROVIDES INCREASED CAPACITY TO MANUFACTURE PIPELINE SLEEVES AT THE CANUSA - CPS FACILITY IN HUNTSVILLE, ONTARIO.

HIGHLIGHTS

- INTERNATIONAL ACTIVITY REMAINED STEADY THROUGHOUT 2001.
- FLEXIBLE AND EFFICIENT CAPACITY ADDITIONS SUPPORTED PEAK DEMANDS IN SEVERAL MONTHS.
- SEVERAL NEW PRODUCTS WITH UNIQUE PERFORMANCE CAPABILITIES ACHIEVED IMMEDIATE CUSTOMER ACCEPTANCE.
- CANUSA - CPS WILL CONTINUE TO INTRODUCE NEW, HIGH PERFORMANCE JOINT PROTECTION SYSTEMS FOR LAND, OFFSHORE AND INSULATED PIPELINES.

ShawFlex is a world-class manufacturer of specialty wire and cable products. The company produces instrumentation, control and composite cables for use in severe service industrial environments. Products include thermocouple, armoured, tray, traffic signal, robotic,

marine/shipboard, nuclear and utility cables.

ShawFlex continued to build for the future with the addition of new extrusion lines at the division's Toronto manufacturing facility in 2001. This additional capacity was a key to securing significant orders destined for the mega-projects underway

to expand the output of heavy oil from the tar sands in northern Alberta.

Increased infrastructure investment to add new power generation capacity in the United States resulted in a record year for shipments to that important market. Similar expenditures in the Canadian nuclear industry

resulted in increased shipments of the division's proprietary SLAR cable. This product forms part of a robotic maintenance system that is able to function in the radioactive environment inside Candu nuclear reactors.



"SHAWFLEX UTILIZES WORLD-CLASS MANUFACTURING PROGRAMS TO PROVIDE RAPID DELIVERY OF COMPLEX CABLE DESIGNS THAT MEET DEMANDING PERFORMANCE CRITERIA."



ERNIE REYNOLDS
VICE PRESIDENT &
GENERAL MANAGER
SHAWFLEX



NEW, COMPUTER-CONTROLLED EXTRUSION LINE INSTALLED AT THE SHAWFLEX WIRE AND CABLE FACILITY IN TORONTO, ONTARIO.

HIGHLIGHTS

- **CAPACITY ADDITIONS MADE IN 2001 ALLOWED FOR IMPROVED EFFICIENCY AND INCREASED SHIPMENTS.**
- **STRENGTH IN THE UTILITY AND PETROCHEMICAL MARKETS CONTRASTED WITH DECLINES IN THE BROADER ECONOMIC INDICATORS.**
- **ECONOMIC GROWTH EXPECTED TO RECOVER BY THE END OF 2002.**
- **STRENGTH IN BOTH CANADIAN AND U.S. PROJECT MARKETS WILL CONTINUE IN 2002.**

Continuing to build on its long-term growth strategy, DSG - Canusa completed significant capacity expansions at the Canadian and German manufacturing facilities in 2001. DSG - Canusa, like many other component suppliers, was negatively affected by the

collapse in infrastructure investment which had dominated the broadband sector of the communications industry for several years. The impact of this downturn was partially offset by programs to build revenue in other markets including the automotive, electrical, utility and elec-

tronics markets. DSG - Canusa also introduced several new products for low and medium voltage electrical applications and a series of gel splice solutions for sealing and protecting both underground and overhead cable.

DSG - Canusa has successfully reduced product costs and diversified its product offering in the utility and automotive sectors to maintain growth.



DSG - CANUSA HAS ADDED CAPACITY IN BOTH EUROPE AND NORTH AMERICA TO PROVIDE INCREASED SERVICE LEVELS FOR CUSTOMERS IN THESE KEY MARKETS."



VINCE BUTERA
VICE PRESIDENT &
GENERAL MANAGER
DSG - CANUSA



HIGH CAPACITY TAKE-UP REELS ARE UTILIZED TO ALLOW LONGER PRODUCTION RUNS OF CONTINUOUSLY EXPANDED, HEAT SHRINKABLE TUBING.

HIGHLIGHTS

- **NEW CAPACITY ADDITIONS IN CANADA AND GERMANY PROVIDED GREATER FLEXIBILITY, WIDER PRODUCT RANGE AND REDUCED LEAD TIMES DURING PEAK PERIODS.**
- **INCREASED SALES IN THE ELECTRICAL, ELECTRONIC, UTILITY AND AUTOMOTIVE MARKETS HELPED TO OFFSET THE SHARP DECLINE IN THE COMMUNICATIONS MARKET.**
- **SECURED FIRST MAJOR AUTOMOTIVE CONTRACTS IN NORTH AMERICA AND SUCCESSFULLY TRANSFERRED PRODUCT AND INSTALLATION MACHINE TECHNOLOGY FROM GERMANY.**
- **ECONOMIC ACTIVITY EXPECTED TO STRENGTHEN PRODUCT DEMAND LATER IN 2002.**
- **RECEIPT OF ADDITIONAL APPROVALS WILL LEAD TO GROWTH IN SALES FOR NEW APPLICATIONS.**

CHANGE OF NAME

At the Annual and Special Meeting of Shareholders, held May 4, 2001, shareholders of Shaw Industries Ltd. approved a change of name to ShawCor Ltd., a name which clearly differentiates the company from the myriad of other "Shaw" companies that operate both within and outside the energy industry, and one that effectively links all of the company's businesses under a common operating designation. The name "ShawCor" was chosen as it properly reflected the history and the commitment of the Shaw family to the Canadian and international energy services industries while allowing the company to strengthen its image and the relationship to and among its business units.

REVENUE

ShawCor classifies its revenue within three segments of the energy services industry; exploration and production, pipeline and petrochemical and industrial. For the twelve months ended December 31, 2001, consolidated revenue increased by 47.4% to \$689 million, compared with \$467 million in 2000, a result of solid energy industry demand for most of the year, particularly for drill pipe, tubular inspection services and pipeline coating products.

The exploration and production segment includes OMSCO, which manufactures drill string components in the United States and Scotland and Guardian, a provider of tubular management services and inspection, testing and refurbishment of oilfield tubulars as well as selling OMSCO products in Canada and Mexico. Robust capital spending during the first half of the year by oil and natural gas producers, which drives demand in this sector, resulted in revenue increasing 73.0% above the prior year. OMSCO and Guardian business units both enjoyed the market upturn, especially in western Canada, where demand for new drill pipe and tubular inspection services was particularly strong. By mid-year, however, the slowing economy and lower energy prices led to reduced client capital spending programs, which negatively impacted order activity during the second half of the year. Notwithstanding, for the full year, exploration and production segment revenue was strong, at \$156 million compared with \$90 million in 2000. Operating profits followed the same trend increasing by over 300%.

The pipeline segment is the largest part of ShawCor and

includes worldwide land and marine markets for corrosion coatings, concrete weight coatings and insulation products supplied by Bredero – Shaw; ultrasonic and radiographic pipeline girth weld inspection services through Shaw Pipeline Services; and heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications manufactured by Canusa – CPS. ShawCor's share of Bredero – Shaw revenue, at \$348 million for the year (2000 – \$190 million) represented a year-over-year increase of 83.6%, with all major geographic sectors recording revenue gains above the prior year. In Bredero – Shaw's North American market sector, success in securing coating contracts for offshore pipelines in the Gulf of Mexico, including a significant 430 mile, 36 inch diameter pipeline from the Gulf to Florida, and technologically challenging deepwater projects for several major petroleum companies, offset weaker demand for large diameter transmission coatings in Canada. A major undertaking in 2001 was the construction of a new 200 acre fully integrated offshore deepwater coating facility at Mobile, Alabama. This facil-

ity, which underpinned growth in 2001, represents the largest single expansion ever undertaken by Bredero – Shaw and positions the company to participate in deepwater oil and gas developments underway in the Gulf of Mexico over the next few years. At mid-year, Bredero – Shaw expanded in the Mexican market with the acquisition of Commercial Resins de Mexico, S.A. de C.V., which has pipe coating plants located near two principal pipe manufacturing mills. In the North Sea market, project activity in the United Kingdom sector increased above the prior year with several large projects, including the Magnus



project, processed at the Leith, Scotland facility, while the Norwegian sector was mainly idle. The Leith facility also coated a portion of the Russia to Turkey natural gas pipeline known as the Bluestream project. During the second quarter, the closing of the acquisition of Thermotite A.S., based in Norway, was completed; adding specialized thermal insulation and corrosion protection products with a specific expertise in insulation used in deepwater markets. In the Middle and Far East sector, activity levels were strong, at Kuantan, Malaysia and Batam, Indonesia, where pipe was coated for projects in Oman, Australia, Turkey, Vietnam and also for the domestic market. Shaw Pipeline Services' revenue during the year was supported by United States mainline radiographic girth weld inspection activity and by offshore ultrasonic inspection in several global markets. At Canusa – CPS, a record revenue result was achieved through the introduction of new products and continued success in winning international tenders. Several significant pipeline joint protection projects were won by Canusa – CPS against strong competition in international markets. Based upon

healthy market demand for the company's pipeline products, the Bredero – Shaw acquisitions, the introduction of new products and the establishment of new manufacturing facilities, pipeline segment revenue increased 61.9% in 2001, to \$429 million. Operating profit margins, however, were below historical levels at both Bredero – Shaw and Shaw Pipeline Services.

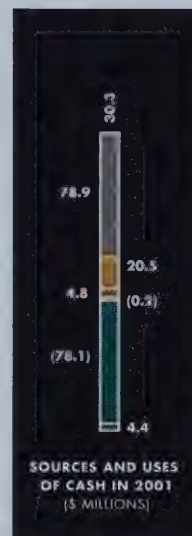
The petrochemical and industrial segment includes ShawFlex, which manufactures wire and cable for process instrumentation and control applications and DSG – Canusa, which manufactures heat shrinkable tubing and related products for electrical, electronic, telecommunications and automotive industries. In 2001, ShawFlex was successful in penetrating utility and petrochemical markets in the United States and Canada resulting in record shipments. At DSG – Canusa, markets in Europe for heat shrinkable products, held firm with the year earlier, while in North America, volumes were down compared with the prior year, due to weakness in the telecommunications market and a slower economy. Segment revenues totaled \$105 million, an 8.4% year-over-year decline

and resulted in operating profits falling by 42.6% to \$7.3 million.

On a geographic basis, year-over-year revenue increased in the United States, Europe, and the Far East, Pacific and Other segments and declined in Canada, mainly because reduced transmission pipeline construction activity offset upstream segment gains. A significant revenue increase was recorded in the United States, where several large offshore pipecoating projects were processed at Bredero – Shaw's facility at Mobile, Alabama. This new facility largely accounted for the increase in capital assets in the United States geographic segment.

INCOME FROM OPERATIONS

Consolidated 2001 income from operations was \$50.1 million, an increase of 47.8% from the level attained in 2000. Healthy oil and gas prices and growth in energy demand, which were in place from the middle of the prior year, held firm until approximately the mid-year point before the favourable market environment eased. Demand for ShawCor's exploration and production and pipeline segment products was, on a



- CAPITAL EXPENDITURES (NET)
- ACQUISITIONS (NET OF FINANCING)
- DIVIDENDS
- ISSUE OF SHARES
- INCREASE IN BANK INDEBTEDNESS
- INCREASE IN CASH POSITION

year-over-year basis, significantly stronger than the prior year, largely accounting for the profit improvement.

In the exploration and production segment, OMSCO commenced the year with a healthy backlog level and for most of the year enjoyed the benefits of high volume manufacturing activity. OMSCO recorded substantially improved earnings, underpinned by spending initiated by major producers on oil and gas exploration and development programs. Earnings at Guardian

increased in unison with drilling industry activity, particularly in western Canada, which recorded over 18,000 well completions in 2001. Exploration and production segment income from operations was \$23.6 million in 2001, compared with \$5.7 million in the prior year.

Pipeline segment income from operations was \$28.5 million in 2001 compared with \$23.2 million in 2000. At Bredero – Shaw, notwithstanding the significant revenue increase generated at the new facility in Mobile, Alabama, plant-commissioning delays and project start-ups on competitively priced Gulf of Mexico contracts impacted earnings. Additionally, in the Far East, income from operations fell below expectation due to quality issues with customer-supplied bare pipe. These results were partially offset in Bredero – Shaw's European sector, where North Sea coating projects boosted earnings and by the sale in December of pipecoating equipment at the Volzhsky pipe mill in Russia, which Bredero – Shaw will manage on behalf of the mill owners. ShawCor's share of Bredero – Shaw income from operations was \$24.0 million in 2001 compared with \$14.7 million in 2000. In 2001, Shaw Pipeline Services exper-

perienced fewer international pipeline project opportunities and strong competition in all geographic markets for both ultrasonic and radiographic girth weld inspection services. Consequently, margins were negatively impacted, which resulted in year-over-year earnings at Shaw Pipeline Services falling below the prior year. The Edwards Pipeline Services acquisition, in December of 2000, added significantly to sales, but fell short of expectations in operating income. Canusa – CPS, through success in penetrating international markets and new product introductions, enjoyed a strong year with shipments and earnings exceeding the levels attained in 2000.

In the petrochemical and industrial segment, which includes ShawFlex and DSG – Canusa, income from operations totaled \$7.3 million, a 42.6% decline from the year earlier. ShawFlex produced a strong performance in 2001 for shipments and earnings, however the marked decline in the telecommunications market in the United States and a slower economy combined at DSG – Canusa to drag down 2001 petrochemical and industrial segment earnings.

In 2001, depreciation increased 30.2%, to \$31.9 million, which reflected capital improvements and additions to plant and equipment in all business units including the new Bredero – Shaw Mobile, Alabama facility, which accounted for \$6.7 million of the increase. The company's share of Bredero – Shaw depreciation was \$17.2 million (2000 – \$10.7 million) and wholly-owned businesses \$14.7 million (2000 – \$13.8 million). Bredero – Shaw's new Mobile, Alabama site is a project-related facility servicing the deepwater Gulf of Mexico market, where a high level of activity is projected through 2005. To recognize the cyclical nature of the market, an accelerated depreciation policy has been adopted at the Mobile facility. Goodwill amortization for 2001 was \$4.3 million consisting of \$1.8 million in relation to the wholly-owned operations and \$2.5 million attributed to Bredero – Shaw. Research and development expenses were \$5.4 million for the year compared with \$5.0 million in 2000.

In 2001, ShawCor's equity in the earnings of a Bredero – Shaw associated company increased to \$1.3 million (2000 – loss of \$360 thou-

sand). Interest on bank indebtedness was \$3.3 million compared with \$1.0 million in the prior year. The company's share of Bredero – Shaw indebtedness accounted for \$3.0 million of the total interest expense, which is primarily in respect to the financing of the new Mobile, Alabama facility and related working capital. Interest on long-term debt was \$412 thousand compared with \$208 thousand in the prior year.

Income taxes in 2001 were 32.6% of income before taxes and minority interest compared with 41.3% in 2000. The reduced income tax percentage was due to



lower Canadian income tax rates, year-over-year tax rate differentials applicable in various foreign subsidiaries, and lower unrecognized tax losses at Bredero – Shaw entities compared with the prior year. The minority interest in the loss of subsidiaries of \$88 thousand compares with a prior year profit of \$1.6 million and relates to the non wholly-owned subsidiaries of Bredero – Shaw.

Net income from discontinued operations in the prior year, at \$4.3 million, was in respect to the sale of the operating assets of the Mark Products division to Compagnie Générale de Géophysique, S.A. Note 15 to the consolidated financial statements provide details of the transaction.

BREDERO – SHAW

The company's interest in Bredero – Shaw assets, liabilities, revenue, expenses and net income are consolidated based on its 50% proportionate ownership position. ShawCor Ltd. and Halliburton Company each own 50% of the shares of Bredero – Shaw. The operations of Bredero – Shaw are governed by a shareholder agreement that continues to October 31, 2030. The agreement includes a buy-sell arrangement whereby either party can provide

notice of termination including a buy-sell price to the other party. The party receiving the notice of termination is obligated to either buy the other party's interest or sell its own interest at the stated price. However, a standstill agreement is in place that prevents either party from activating the buy-sell arrangement before August 1, 2004.

DIVIDENDS

Dividends per share in 2001 were \$0.0808 for Class A Subordinate Voting Shares (2000 – \$0.0808 per share) and \$0.0734 for Class B Multiple Voting Shares (2000 – \$0.0734 per share). The dividend applicable to Class A shares includes a non-cumulative premium of 10% above that applicable to Class B shares. The Board of Directors determines dividend payments based on consideration of net earnings over a period of years and the company's overall financial standing.

LIQUIDITY AND CAPITALIZATION

At December 31, 2001, the company recorded a working capital ratio of 1.38 to 1 (December 31, 2000 – 2.12 to 1). Net working capital decreased from December 31, 2000, largely due to increased bank indebtedness required

for capital programs. Consolidated bank indebtedness was \$88.2 million at December 31, 2001, which compared with \$10.0 million at December 31, 2000. Bredero – Shaw operating requirements, acquisition programs and capital expenditures largely accounted for the increase in net bank indebtedness of \$78.1 million. At December 31, 2001, cash and cash equivalents was \$55.6 million compared with \$51.2 million at the same date a year earlier.

Consolidated capital expenditures for the full year ended December 31, 2001 were \$86.5 million (2000 – \$24.4 million) comprised of \$59.0 million as ShawCor's share of Bredero – Shaw expenditures (2000 – \$11.2 million) and \$27.5 million at ShawCor wholly-owned operations (2000 – \$13.2 million). At Bredero – Shaw, the major investment was a new facility, at Mobile, Alabama, to provide anti-corrosion, concrete weight and thermal insulation coatings and welding services for traditional and deepwater markets in the Gulf of Mexico. In the wholly-owned business category, capacity expansions were undertaken at the DSG – Canusa and ShawFlex manufacturing



■ TOTAL DEBT
■ SHAREHOLDERS' EQUITY

plants in Toronto, Ontario, including a building addition, and at Canusa – CPS in Huntsville, Ontario. Guardian expanded coverage by establishing a tubular management and inspection facility in Fort St. John, British Columbia, expanding facilities at other locations and by making investments in new inspection equipment and vehicles. In the United States, OMSCO added capacity in several areas including pipe heat treatment and tool joint manufacturing capability.

For the twelve months ended December 31, 2001, proceeds on the disposal of capital assets totaled \$7.5 million (2000 – \$3.2 million). During 2001,

Bredero – Shaw acquired Thermotite A.S., based in Norway, and Commercial Resins de Mexico, S.A. de C.V., in Mexico, for a combined total of \$20.5 million. (See note 14 to the consolidated financial statements for details.)

At December 31, 2001, goodwill (net of amortization) of \$81.8 million (2000 – \$68.8 million) included \$16.6 million in respect of the 1998 acquisition of the DSG Group of companies, \$48.3 million in respect of the August 1, 1997 amendment of the joint venture agreement with Halliburton Company and \$16.9 million in respect of the 2001 acquisitions of Thermotite A.S. and Commercial Resins de Mexico, S.A. de C.V. The company to date has been amortizing the goodwill in respect of the DSG Group of companies over a 15-year period and the Halliburton Company transaction, over the term of the joint venture agreement, to the year 2030. Total goodwill amortization in 2001 was \$4.3 million compared with \$3.4 million in 2000. In accordance with new CICA accounting rules, effective in 2002, these goodwill balances will no longer be subject to annual amortization but rather an ongoing valuation for impairment.

In addition to goodwill of \$81.8 million, other assets at December 31, 2001 and 2000, included \$26.1 million in respect of an investment in Compagnie Générale de Géophysique, S.A. ("CGG") of Paris, France. On September 29, 2000, the company sold the operating assets of Mark Products division to CGG in exchange for 352,237 ordinary shares of CGG, which represents 3% of their total outstanding shares. (See note 15 to the consolidated financial statements.)

In 2001, funds of \$4.8 million (2000 – \$4.8 million) were used to pay dividends with the dividend rate remaining equal to the prior year. Bank indebtedness increased to \$88.2 million from \$10.0 million in the prior year. Current year bank indebtedness, related to the company's share of Bredero – Shaw, was \$86.0 million (2000 – \$7.3 million), which primarily relates to financing the working capital and plant and equipment at the new pipecoating facility in Mobile, Alabama. Total long-term debt increased during the year by \$5.6 million to reach \$8.9 million at year end, a result of debt assumed as part of the Thermotite acquisition. Note 7 to the consolidated financial state-

ments describes particulars in respect of the company's long-term indebtedness.

Shareholders' equity increased 10.3% to \$374.5 million, reflecting the net income for the year, partially offset by dividends paid during the year and the increase in the cumulative translation account, which reflected the stronger U.S. dollar.

OUTLOOK AND UNCERTAINTIES

Activity in the energy service sector is expected to be restrained by several factors including the lower oil and gas price environment in which the industry is operating, an uncertain time frame for global economic recovery and political tensions in the Middle East region. Due to these circumstances, capital spending by energy producers, the primary stimulus that drives the industry, has declined since mid-year 2001. However, spending in the deepwater offshore market as well as for international infrastructure projects continues at a steady pace. ShawCor has substantially completed its capital expansion program and is well positioned to capitalize on this activity. ShawCor's moderate level of debt provides the financial flexibility to internally fund working capital

requirements and capital expenditure programs and to respond effectively to new business opportunities as they arise in 2002 and beyond.

Softness in the upstream businesses, completion of several low margin contracts in the Gulf of Mexico and a conservative depreciation policy on Bredero – Shaw's Mobile, Alabama facility will dampen profits particularly in the early part of 2002. Current expectations are for improvement in the second and third quarters of the year.

Uncertainties facing the company include policy changes initiated within the OPEC framework, the level of world oil and gas prices, foreign exchange rates and domestic and foreign government policies and regulations. Other uncertainties include political and/or monetary instability in countries identified as growth markets, including those located in areas such as the Middle East, Asia, West Africa and the Caspian region.

This document contains forward-looking statements, which are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in such statements.

The accompanying consolidated financial statements of ShawCor Ltd. included in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has selected those it deems to be most appropriate in the circumstances. The financial statements include estimates based on the experience and judgment of management in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

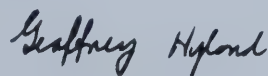
The management of the company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfils its responsibilities for financial reporting and internal control with the assistance of its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are Directors who are not officers or employees of ShawCor Ltd. or any of its subsidiaries. The Committee meets periodically to review quarterly financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the company's annual consolidated financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by Ernst & Young LLP, the external auditors, on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

March 5, 2002



Geoffrey F. Hyland
President and Chief Executive Officer



Alan R. Thomas
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

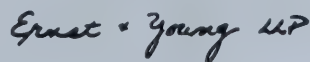
TO THE SHAREHOLDERS OF SHAWCOR LTD.

We have audited the consolidated balance sheets of ShawCor Ltd. as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
February 18, 2002

Chartered Accountants

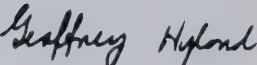
CONSOLIDATED BALANCE SHEETS

DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

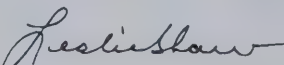
	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,636	\$ 51,218
Accounts receivable	147,332	94,002
Inventories (note 3)	73,748	61,128
Prepaid expenses	9,012	8,032
Future income taxes (note 13)	8,482	10,938
	294,210	225,318
Capital assets, net of accumulated depreciation (note 4)	213,864	146,216
Other assets (note 5)	112,551	96,989
	\$ 620,625	\$ 468,523
LIABILITIES		
Current liabilities		
Bank indebtedness (note 7)	\$ 88,159	\$ 10,024
Accounts payable and accrued liabilities	123,987	93,503
Taxes payable	—	2,656
Current portion of long-term debt (note 7)	1,701	—
	213,847	106,183
Long-term debt (note 7)	7,180	3,242
Future income taxes (note 13)	23,604	18,150
Minority interest in subsidiaries	1,465	1,394
	246,096	128,969
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	7,592	7,391
Retained earnings	383,850	355,282
Cumulative translation account (note 10)	(16,913)	(23,119)
	374,529	339,554
	\$ 620,625	\$ 468,523

See accompanying notes.

On behalf of the Board



Geoffrey F. Hyland
Director



Leslie E. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

EXCEPT PER SHARE INFORMATION)	2001	2000
Revenue	\$ 688,682	\$ 467,208
Operating expenses	596,974	400,405
Depreciation and amortization	36,214	27,926
Research and development	5,377	4,969
	638,565	433,300
Income from operations	50,117	33,908
Other income (expense) (note 12)	(721)	2,057
Income before income taxes and minority interest	49,396	35,965
Income taxes (note 13)	16,108	14,859
Income before minority interest	33,288	21,106
Minority interest in loss (earnings) of subsidiaries	88	(1,594)
Income from continuing operations	33,376	19,512
Income from discontinued operations (note 15)	—	4,348
Net income for the year	\$ 33,376	\$ 23,860
Net income per share, Class A and Class B – Basic		
Continuing operations	\$ 0.55	\$ 0.32
Discontinued operations	—	0.07
	\$ 0.55	\$ 0.39
Net income per share, Class A and Class B – Diluted		
Continuing operations	\$ 0.54	\$ 0.32
Discontinued operations	—	0.07
	\$ 0.54	\$ 0.39

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2001	2000
Balance at beginning of year	\$ 355,282	\$ 336,448
Net income for the year	33,376	23,860
	388,658	360,308
Excess of purchase price paid over stated value of shares (note 8)	—	238
Dividends paid	4,808	4,788
Balance at end of year	\$ 383,850	\$ 355,282

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2001	2000
OPERATING ACTIVITIES		
Net income for the year from continuing operations	\$ 33,376	\$ 19,512
Items not requiring an outlay of cash:		
Depreciation and amortization	36,214	27,926
Future income taxes	(1,952)	(2,596)
Minority interest in (loss) earnings of subsidiaries	(88)	1,594
Share of (earnings) loss of associated company	(1,309)	360
Change in non-cash working capital and other	(35,895)	(10,013)
Cash provided by operating activities from continuing operations	30,346	36,783
Cash used by operating activities from discontinued operations	—	(4,788)
Cash provided by operating activities	30,346	31,995
INVESTING ACTIVITIES		
Additions to capital assets	(86,458)	(24,394)
Proceeds on disposal of capital assets	7,463	3,177
Acquisitions (note 14)	(20,461)	(2,964)
Cash used in investing activities	(99,456)	(24,181)
FINANCING ACTIVITIES		
Increase in bank indebtedness	78,135	5,632
Repayment of long-term debt (note 7)	—	(14,948)
Dividends paid to shareholders	(4,808)	(4,788)
Dividends paid to minority shareholder of subsidiaries	—	(3,598)
Issue of shares on exercise of stock options (note 8 & 9)	201	1
Purchase of shares for cancellation (note 8)	—	(241)
Cash provided by (used in) financing activities	73,528	(17,942)
Net increase (decrease) in cash position during the year	4,418	(10,128)
Cash position at beginning of year	51,218	61,346
Cash position at end of year	\$ 55,636	\$ 51,218

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated.)

On May 4, 2001, the shareholders of Shaw Industries Ltd. approved a name change for the company to ShawCor Ltd.

1. SIGNIFICANT ACCOUNTING POLICIES

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of ShawCor Ltd. (the "company"), its wholly-owned subsidiaries and its 50% proportionate interest in the underlying assets, liabilities and activities of the Bredero – Shaw incorporated joint venture. The Bredero – Shaw accounts include certain partially-owned subsidiaries which give rise to minority interest in the net assets and net results.

B) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C) REVENUE RECOGNITION

Revenue from the sale of products is recognized as products are shipped or as accepted by the customer. Pipecoating revenue is recognized as services are performed. Revenue from inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts and other arrangements.

D) DEFERRED PROJECT COSTS

Costs related to the preparation of production facilities for fixed term projects are deferred and amortized on a basis to match the costs with the revenue from production on the specific projects.

E) FOREIGN CURRENCY TRANSLATION

Foreign operations which are financially and operationally independent are classified as self-sustaining. Foreign oper-

ations which are dependent upon other operations within the company are classified as integrated.

Assets and liabilities of self-sustaining foreign operations are translated at year-end exchange rates. Income and expense items are translated at average exchange rates for the year. The foreign exchange impact of these translations is included in the cumulative translation account on the consolidated balance sheets.

Monetary assets and liabilities of the company and its integrated foreign operations denominated in foreign currencies are translated at year-end exchange rates. All other assets and liabilities, along with depreciation expense denominated in foreign currencies are translated at historical exchange rates. Income and expense items other than depreciation are translated at average exchange rates for the year. Foreign exchange gains or losses resulting from the translation of long-term debt are deferred and amortized over the remaining term of the debt. All other foreign exchange gains or losses are included in the determination of net income for the year.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in bank and short-term investments with original maturity dates on acquisition of 90 days or less.

G) DERIVATIVE FINANCIAL INSTRUMENTS

The company manages interest rate and foreign exchange risk through the use of derivative financial instruments. Gains and losses on such instruments, entered into for the purposes of hedging these exposures, are deferred and included as a component of the hedged transactions. Premiums are amortized over the life of the hedged asset or liability.

H) INVENTORIES

Inventories are valued at the lower of cost on a first-in, first-out basis and net realizable value for finished goods and work in progress and replacement cost for raw materials.

I) CAPITAL ASSETS

Capital assets are recorded at cost and, other than project-related facilities and equipment, are depreciated over their useful lives on the straight-line basis at annual rates of 4% to 5% on buildings, 10% to 20% on machinery and equipment and 33% to 50% for computer equipment. Project-related facilities are depreciated over the initial estimated project life, generally no longer than four years.

J) GOODWILL

Goodwill is stated at cost less accumulated amortization and is amortized on a straight-line basis over its useful life to a maximum of thirty-three years. The company periodically assesses whether there has been a permanent impairment in the carrying value of goodwill by determining whether the unamortized goodwill balance can be recovered based on the fair value of the operations.

K) STOCK OPTION PLANS

The company has three stock option plans, which are described in Note 9. Options to purchase shares are granted on the basis of the market price of the shares on the date of the grant. Shares issued under the market growth option plan are added to share capital at a nominal amount; shares issued under other plans are included in share capital at the option price. No compensation expense is reflected in the accounts.

L) OPERATING LEASES

Payments for operating leases are charged to income in the year they are incurred.

M) INVESTMENTS

The company accounts for investments in which it has significant influence using the equity basis. Other investments are recorded at cost less write-downs to reflect permanent impairment.

N) COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to correspond with the current year's presentation.

2. CHANGE IN ACCOUNTING POLICIES

In 2001 the company adopted the new recommendations of The Canadian Institute of Chartered Accountants dealing with Earnings Per Share ("EPS"). The main feature in this revised section is the use of the treasury stock method instead of the imputed earnings approach in determining the dilutive effects of warrants, options and other similar instruments. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon exercise of options in computing diluted EPS. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The above change has no significant effect on the company's EPS for either 2000 or 2001.

3. INVENTORIES

(IN THOUSANDS)	2001	2000
Raw materials and supplies	\$ 39,253	\$ 37,946
Work in progress	18,049	5,145
Finished goods	16,446	18,037
	\$ 73,748	\$ 61,128

4. CAPITAL ASSETS

(IN THOUSANDS)	2001	2000
Cost		
Land and land improvements	\$ 28,831	\$ 16,860
Buildings	71,611	54,910
Machinery and equipment	325,351	252,499
Capital projects in progress	11,958	6,466
	437,751	330,735
Accumulated depreciation		
Land improvements	8,461	6,373
Buildings	35,937	29,978
Machinery and equipment	179,489	148,168
	223,887	184,519
	\$ 213,864	\$ 146,216

5. OTHER ASSETS

(IN THOUSANDS)	2001	2000
Goodwill (net of accumulated amortization of \$13,309, 2000 – \$10,717)	\$ 81,759	\$ 68,786
Long-term investment	26,100	26,100
Deferred project costs	2,324	664
Investment in associated company	2,368	1,439
	\$ 112,551	\$ 96,989

Long-term investment includes publicly traded securities with a quoted market value at December 31, 2001 of \$17.5 million (2000 – \$35.7 million).

6. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange options and forward exchange contracts are used to hedge foreign exchange exposures related to commercial activities. They are not used by the company for speculative purposes. At December 31, 2001, the company had notional amounts of \$3.1 million (2000 – \$14.8 million) of forward contracts outstanding. The amounts are used to express the volume of the transactions and do not represent exposure to loss. The difference between the carrying values and fair values of each of these contracts was not significant.

At December 31, 2001, Bredero – Shaw has entered into an interest rate conversion ("SWAP") agreement with a financial institution relating to a portion of its bank debt. The objective is to hedge against interest rate fluctuations over the term of the loan to August 2003. The company's share of the excess of the carrying value over the fair value of the hedge at December 31, 2001 was U.S.\$344 thousand.

7. LONG-TERM DEBT

a) The company had unsecured long-term debt consisting of the following:

(IN THOUSANDS)	2001	2000
Bredero – Shaw loans payable		
bearing interest at rates between 7.0% and 7.5% per annum, maturing between 2002 to 2009 (Norwegian Krone 22.8 million)	\$ 5,340	\$ —
Non-interest bearing obligation, due December 31, 2003 (Deutsche mark 4.5 million, 2000 – Deutsche mark 4.5 million)	3,541	3,242
	8,881	3,242
Less current portion	1,701	—
	\$ 7,180	\$ 3,242

Total interest paid during the year was \$3.5 million (2000 – \$1.2 million).

b) Long-term debt repayments during each of the next five years at current rates of exchange are as follows:

(IN THOUSANDS)	
2002	\$ 1,701
2003	4,553
2004	876
2005	876
2006	875
	\$ 8,881

c) The current bank indebtedness is unsecured and, except for U.S.\$25.0 million fixed at 4.08% until August 2003, is at current market rates ranging from 2.5% to 8.2% depending on the currency of the debt. As at December 31, 2001 the company had unused operating lines of credit of \$136.7 million.

8. CAPITAL STOCK

(a) As at December 31, the following shares were outstanding:

(IN THOUSANDS EXCEPT SHARE INFORMATION)			2001			2000		
	Class A	Class B	Total	Class A	Class B	Total		
Number of shares:								
Balance, beginning of the year	46,573,146	14,096,264	60,669,410	43,985,461	16,571,716	60,557,177		
Issued – stock options	129,598	—	129,598	132,233	—	132,233		
Conversions Class B to A	166,259	(166,259)	—	2,475,452	(2,475,452)	—		
Purchases – normal course issuer bid	—	—	—	(20,000)	—	(20,000)		
Balance, end of the year	46,869,003	13,930,005	60,799,008	46,573,146	14,096,264	60,669,410		
Stated value:								
Balance, beginning of the year	\$ 6,309	\$ 1,082	\$ 7,391	\$ 6,121	\$ 1,272	\$ 7,393		
Issued – stock options	201	—	201	1	—	1		
Conversions Class B to A	13	(13)	—	190	(190)	—		
Purchases – normal course issuer bid	—	—	—	(3)	—	(3)		
Balance, end of the year	\$ 6,523	\$ 1,069	\$ 7,592	\$ 6,309	\$ 1,082	\$ 7,391		

Class A shares are entitled to one vote per share and receive a non-cumulative dividend premium of 10% of the dividends paid to holders of Class B shares. Class B shares are entitled to ten votes per share and are convertible at any time into Class A shares on a one-for-one basis. The company's normal course issuer bid expired on December 31, 2000 and has not been renewed.

9. STOCK OPTION PLANS

The company has three stock option plans, initiated in 1989, 1995 and 1997.

Under the company's 1989 employee market growth stock option plan, options are granted to senior management and employees to acquire from the corporation the number of Class A shares equal in value to the market growth of the shares from the grant date with respect to which the option is exercised. Options are exercisable up to a maximum of 20% of the option units, on a cumulative basis, per year, commencing one year after the date of grant. The number of shares to be issued under any option

shall not exceed 75% of the number of units with respect to which the option is exercised.

Under the company's 1995 director stock option plan, options to purchase Class A shares are granted at a price being the fair market value at the date of the grant. The maximum number of Class A Subordinate Voting Shares which may be purchased by a director pursuant to any single grant of option shall be equal to the lesser of 9,000 Class A Subordinate Voting Shares and a number equal to twice the number of Class A Subordinate Voting Shares and Class B Multiple Voting Shares owned by the eligible director as at date of grant.

Under the company's 1997 employee stock option plan, options for 300,000 Class A shares were granted during 1997 at a price of \$14.00 per share, being the fair market value at the date of the grant. The maximum number of shares which may be exercised during any one year is limited to 20% of the total grant, on a cumulative basis, in each of the five years commencing one year following the date of the grant.

A summary of the status of the company's stock option plans and changes during the year are presented below:

	2001				2000	
	Market Growth Plan (1)	Other Plans	Total Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance outstanding beginning of year	1,065,540	375,000	1,440,540	\$ 11.52	1,495,050	\$ 10.74
Granted	599,400	—	599,400	17.91	195,225	13.34
Exercised	(96,598)	(33,000)	(129,598)	5.83	(132,233)	4.45
Forfeited/expired	(54,242)	—	(54,242)	13.91	(117,502)	13.53
Balance outstanding end of year	1,514,100	342,000	1,856,100	\$ 13.92	1,440,540	\$ 11.52

(1) This maximum number is achieved only when the market value of the shares at the time of exercise is equal to no less than four times the value at the date of the grant.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 2001	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2001	Weighted Average Exercise Price
\$ 5.00 – \$ 10.00	587,580	2.41	\$ 9.63	384,000	\$ 9.39
\$ 11.00 – \$ 15.00	655,410	3.81	\$ 14.11	423,270	\$ 14.08
\$ 16.00 – \$ 20.00	613,110	4.88	\$ 17.82	15,660	\$ 16.34

10. CUMULATIVE TRANSLATION ACCOUNT

(IN THOUSANDS)	2001	2000
Balance at beginning of year	\$ (23,119)	\$ (21,209)
Translation of self-sustaining foreign operations	(6,206)	(1,910)
Balance at end of year	\$ (16,913)	\$ (23,119)

During 2001, the Canadian dollar weakened 6.4% (2000 – weakened 3.9%) against the U.S. dollar, gained 0.1% (2000 – gained 3.0%) against the Euro and weakened 3.0% (2000 – gained 3.8%) against the U.K. pound.

11. PENSION OBLIGATIONS

The company provides pension benefits to its employees under a number of defined benefit and defined contribution arrangements. The company's pension obligations under the defined benefit plans for employees' service up to December 31, 2001 are estimated to be \$23.6 million (2000 – \$21.4 million). These pension plans have assets with a market value of \$25.4 million (2000 – \$23.2 million) available to meet these obligations. The company uses actuarial reports prepared by independent actuaries for funding and accounting purposes. Information about the company's defined benefit plans in aggregate is as follows:

(IN THOUSANDS)	2001	2000
Accrued benefit obligation		
Accrued benefit obligation,		
beginning of year	\$ 21,361	\$ 17,511
Current service cost	1,381	1,315
Past service cost	—	1,394
Interest cost	1,569	1,339
Actuarial losses	85	316
Benefits paid	(837)	(514)
Accrued benefit obligation,		
end of year	\$ 23,559	\$ 21,361
Plan assets		
Fair value of plan assets,		
beginning of year	\$ 23,200	\$ 18,008
Actual return on plan assets	1,331	2,215
Employer contributions	1,740	3,491
Benefits paid	(837)	(514)
Fair value of plan assets,		
end of year	\$ 25,434	\$ 23,200
Funded status – plan surplus	\$ 1,875	\$ 1,839
Unamortized net actuarial gains	(810)	(957)
Unamortized past service costs	1,232	1,370
Unamortized net transitional asset	(197)	(190)
Net accrued benefit asset	\$ 2,100	\$ 2,062
Net benefit expense for the year		
Current service cost	\$ 1,381	\$ 1,315
Interest cost	1,569	1,339
Expected return on plan assets	(1,541)	(1,258)
Amortization of transitional amount	6	7
Amortization of prior service cost	299	23
Amortization of actuarial loss (gain)	(12)	113
Net benefit expense	\$ 1,702	\$ 1,539

Included in the above accrued benefit obligation and fair value of plan assets at year end are the following amounts in respect of plans that are not fully funded:

(IN THOUSANDS)	2001	2000
Accrued benefit obligation	\$ 14,672	\$ 13,323
Fair value of plan assets	13,783	13,006
Funded status – plan (deficit)	\$ (889)	\$ (317)

Significant Assumptions Used

	2001	2000
Expected long-term rate of return on plan assets (%)	7.5	7.5
Discount rate (%)	7.0	7.0
Rate of compensation increase (%)	4.0	4.0

12. OTHER INCOME (EXPENSE)

(IN THOUSANDS)	2001	2000
Interest income on short-term deposits	\$ 1,719	\$ 3,644
Interest on bank indebtedness	(3,337)	(1,019)
Interest on long-term debt	(412)	(208)
Share of earnings (loss) of associated company	1,309	(360)
	\$ (721)	\$ 2,057

13. INCOME TAXES

i) The income tax expense is comprised of:

(IN THOUSANDS)	2001	2000
Current	\$ 18,060	\$ 17,455
Future	(1,952)	(2,596)
	\$ 16,108	\$ 14,859

ii) The company's effective income tax rate is composed of the following:

	2001	2000
Combined basic Canadian federal and provincial income tax rate	42.2 %	43.9 %
Canadian manufacturing and processing profits deductions	(8.5)	(9.0)
Expected rate	33.7	34.9
Tax rate differential on earnings of foreign subsidiaries	(4.8)	(1.1)
Unrecognized tax losses of foreign subsidiaries	3.6	8.2
Other	0.1	(0.7)
	32.6 %	41.3 %

iii) Components of future income taxes are summarized as follows:

(IN THOUSANDS)	2001	2000
Future tax asset		
Net operating losses carry forward	\$ 8,482	\$ 5,495
Provisions and future expenditures	—	5,443
Net future tax asset	\$ 8,482	\$ 10,938
Future tax liability		
Depreciable capital assets	\$ 19,830	\$ 18,150
Provisions and future expenditures	3,774	—
Total future tax liability	\$ 23,604	\$ 18,150

The company has income tax losses carried forward of \$36.8 million (2000 – \$27.2 million) which have not been realized. The tax benefit of these loss carryforwards is recorded as a future tax asset. These tax losses may be utilized to offset taxable income from certain jurisdictions in future years. Tax losses of \$26.8 million carry forward beyond 2010. The remainder will expire, to the extent that they are not utilized, as follows: 2002 – \$1.7 million; 2003 – \$1.6 million; 2004 – \$2.3 million; 2005 – \$3.7 million and 2006 – \$0.7 million. Income taxes of \$21.8 million (2000 – \$26.9 million) were paid during the year.

14. ACQUISITIONS

Effective January 1, 2001, Bredero – Shaw acquired Thermotite A.S., based in Orkanger, Norway. On July 25, 2001, Bredero – Shaw acquired 66.6% of Commercial Resins de Mexico S.A. de C.V., based in Monterrey, Mexico. Both companies operate in the pipe coating industry. On October 1, 2001 the remaining 33.4% of Commercial Resins de Mexico S.A. de C.V. was also acquired.

Details of these acquisitions for the company's 50% share are as follows:

(IN THOUSANDS)	Commercial		Total
	Thermotite A.S.	Resins de Mexico	
Net assets acquired at assigned values			
Net assets	\$ 6,631	\$ 4,721	\$ 11,352
Goodwill	11,796	6,550	18,346
Future income taxes	121	(3,751)	(3,630)
Long-term debt	(5,607)	—	(5,607)
	\$ 12,941	\$ 7,520	\$ 20,461
Consideration given			
Cash	\$ 12,941	\$ 7,520	\$ 20,461

On December 1, 2000, the company acquired the assets and business of Edwards Pipeline Services, LLC, a Tulsa, Oklahoma-based company specializing in the radio-graphic inspection of pipeline girth welds. The total cost of net assets and goodwill acquired was \$2.9 million. In addition, future payments up to a maximum of \$2.4 million based on profitability are possible but can not be reasonably determined at this date and thus have not been recorded. As future payments become more certain they will be recorded as additional goodwill.

These transactions have been accounted for by the purchase method with the results of operations included in the consolidated financial statements from the dates of acquisition.

15. DISCONTINUED OPERATIONS

On September 29, 2000 the company sold the net operating assets of Mark Products division to Compagnie Générale de Géophysique, S.A. ("CGG") in exchange for 352,237 ordinary shares of CGG. The company recognized a net after-tax gain of \$5.5 million (\$2.4 million tax provision). Mark Products' operating results for all years presented are reflected as discontinued operations. Mark Products' revenue for the nine months ended September 29, 2000 amounted to \$13.9 million.

16. JOINT VENTURE OPERATIONS

A) BREDERO – SHAW AGREEMENT

The company holds a 50% ownership position in Bredero – Shaw, a joint venture equally owned and controlled by ShawCor Ltd. and Halliburton Company. The term of the joint venture agreement is to October 31, 2030. A buy-sell arrangement is in place whereby either party can provide notice of termination including a buy-sell price to the other party. The party receiving the notice of termination is obligated, within a certain time frame, to buy the other party's interest in the joint venture or sell its own interest at the stated price. A standstill agreement is in place that prevents either party from activating the buy-sell arrangement before August 1, 2004.

B) PROPORTIONATELY CONSOLIDATED FINANCIAL INFORMATION

The company's share of Bredero – Shaw assets and liabilities, revenue, expenses, net income and cash flow are consolidated based on the company's 50% proportionate ownership position. The results are summarized as follows:

(IN THOUSANDS)	2001	2000
Current assets	\$ 132,011	\$ 68,512
Capital assets, net	106,677	54,003
Other assets	17,050	3,115
Current liabilities	176,745	53,517
Long-term debt	3,639	—
Future income taxes	13,782	9,603
Minority interest	1,465	1,394
Revenue	\$ 348,145	\$ 189,654
Operating and other expenses	(334,562)	(181,666)
Minority interest	88	(1,594)
Net income for the year	\$ 13,671	\$ 6,394
Cash provided by (used in):		
Operating activities	\$ (8,036)	\$ 12,305
Investing activities	(73,022)	(10,905)
Financing activities	—	(3,598)

17. OTHER COMMITMENTS

At December 31, 2001, the aggregate minimum annual obligations under non-cancelable operating leases were as follows:

(IN THOUSANDS)	
2002	\$ 7,326
2003	5,596
2004	4,845
2005	4,036
2006	3,547
Subsequent to 2006	7,018
	\$ 32,368

18. SEGMENTED INFORMATION

The company provides products and services to three general segments of the global energy industry: exploration and production, pipeline, and petrochemical and industrial. The exploration and production segment is comprised of OMSCO which manufactures drill string components, and Guardian which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubulars as well as selling OMSCO products in Canada and Mexico. The pipeline segment includes the company's interest in Bredero – Shaw which provides pipecoating, lining and insulation products, Canusa – CPS which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications, and Shaw Pipeline Services which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction. The petrochemical and industrial segment is comprised of ShawFlex which manufactures wire and cable for process instrumentation and control applications and DSG – Canusa which manufactures heat shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial information by operating segment is as follows (in thousands of dollars):

	Exploration and Production		Pipeline		Petrochemical and Industrial		Financial and Corporate		Eliminations		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Revenue – customer	156,281	90,325	428,051	263,148	104,350	113,735	—	—	—	—	688,682	467,208
– intersegment	—	—	853	1,826	643	843	—	—	(1,496)	(2,669)	—	—
– total	156,281	90,325	428,904	264,974	104,993	114,578	—	—	(1,496)	(2,669)	688,682	467,208
Operating expenses	127,731	80,117	374,446	222,517	91,467	95,499	4,826	4,941	(1,496)	(2,669)	596,974	400,405
Depreciation and amortization	4,833	4,371	22,878	16,719	5,260	5,241	3,243	1,595	—	—	36,214	27,926
Research and development	166	133	3,110	2,526	1,006	1,193	1,095	1,117	—	—	5,377	4,969
	132,730	84,621	400,434	241,762	97,733	101,933	9,164	7,653	(1,496)	(2,669)	638,565	433,300
Income from operations	23,551	5,704	28,470	23,212	7,260	12,645	(9,164)	(7,653)	—	—	50,117	33,908
Other income (expense)											(721)	2,057
Income before income taxes and minority interest											49,396	35,965
Income taxes											16,108	14,859
Income before minority interest											33,288	21,106
Minority interest in loss (earnings) of subsidiaries											88	(1,594)
Income from continuing operations											33,376	19,512
Income from discontinued operations											—	4,348
Net income											33,376	23,860
Total assets	95,535	92,531	299,176	159,779	81,803	82,524	144,111	133,689	—	—	620,625	468,523
Capital expenditures, net of disposals	12,692	1,933	54,808	10,934	7,144	6,552	4,351	1,798	—	—	78,995	21,217

Revenues and capital assets by geographic segment are as follows. 'Other' in the Far East, Pacific and Other geographic segment includes operations in Mexico, Colombia, Brazil, Africa, Azerbaijan and the Middle East. The geographical segment is determined by the location of the company's country of operation (in thousands of dollars):

	Canada		United States		Europe		Far East, Pacific and Other		Eliminations		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Revenue – customer	135,174	126,407	296,972	155,934	167,688	121,461	88,848	63,406	—	—	688,682	467,208
– intersegment	37,043	63,867	34,241	10,959	4,299	2,186	109	349	(75,692)	(77,361)	—	—
– total	172,217	190,274	331,213	166,893	171,987	123,647	88,957	63,755	(75,692)	(77,361)	688,682	467,208
Capital assets, net	69,209	61,980	104,984	51,626	34,691	30,631	4,980	1,979	—	—	213,864	146,216

SIX YEAR REVIEW

(IN THOUSANDS EXCEPT PER SHARE INFORMATION)	2001	2000	1999	1998	1997	1996
OPERATING RESULTS						
Revenue (note 1)	\$ 688,682	\$ 467,208	\$ 528,226	\$ 728,264	\$ 552,549	\$ 407,921
EBITDA (notes 1 & 2)	87,728	59,880	89,098	135,738	106,559	64,464
Net income for the year	33,376	23,860	30,761	69,624	58,662	36,585
CASH FLOW						
Cash from operating activities	\$ 30,346	\$ 31,995	\$ 85,639	\$ 102,412	\$ 75,172	\$ 47,040
Additions to capital assets	86,458	24,394	29,450	57,952	32,971	26,470
FINANCIAL POSITION						
Working capital	\$ 80,363	\$ 119,135	\$ 127,544	\$ 128,502	\$ 116,517	\$ 108,934
Long-term debt	8,881	3,242	20,151	48,027	34,570	—
Shareholders' equity	374,529	339,554	322,632	319,534	248,527	207,744
Total assets	620,625	468,523	479,441	561,181	432,269	337,138
PER SHARE INFORMATION						
(CLASS A AND CLASS B)						
Net income						
Basic	\$ 0.55	\$ 0.39	\$ 0.51	\$ 1.15	\$ 0.98	\$ 0.62
Diluted	\$ 0.54	\$ 0.39	\$ 0.50	\$ 1.13	\$ 0.95	\$ 0.60
Dividends						
Class A	\$ 0.0808	\$ 0.0808	\$ 0.0808	\$ 0.0734	\$ 0.0605	\$ 0.0550
Class B	\$ 0.0734	\$ 0.0734	\$ 0.0734	\$ 0.0663	\$ 0.0550	\$ 0.0500
Shareholders' equity	\$ 6.16	\$ 5.60	\$ 5.34	\$ 5.26	\$ 4.12	\$ 3.50

Note 1: Restated to exclude discontinued operations.

Note 2: EBITDA is a non-GAAP measure and can be calculated by adding back to income from continuing operations, taxes, net interest, depreciation and amortization. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. There is no standard definition of EBITDA under GAAP.

QUARTERLY INFORMATION (unaudited)

(IN THOUSANDS EXCEPT PER SHARE INFORMATION)	First	Second	Third	Fourth	Total
Revenue					
– 2001	\$ 122,043	\$ 155,078	\$ 208,791	\$ 202,770	\$ 688,682
– 2000	122,078	110,188	106,909	128,033	467,208
Net income					
– 2001	5,875	6,962	9,931	10,608	33,376
– 2000	7,818	4,662	7,481	3,899	23,860
Net income per share (Class A and Class B)					
Basic					
– 2001	\$ 0.10	\$ 0.11	\$ 0.16	\$ 0.18	\$ 0.55
– 2000	\$ 0.13	\$ 0.08	\$ 0.12	\$ 0.06	\$ 0.39
Diluted					
– 2001	\$ 0.10	\$ 0.11	\$ 0.16	\$ 0.17	\$ 0.54
– 2000	\$ 0.13	\$ 0.08	\$ 0.12	\$ 0.06	\$ 0.39

DIRECTORS

W.J. Deyell
Nanose Bay
Consultant

A.F. Griffiths (1) (2)
Toronto
Independent Consultant and
Corporate Director

G.F. Hyland
Toronto
President and
Chief Executive Officer
ShawCor Ltd.

J.J. Murphy
Dallas
Private Investor

R.J. Ritchie (1)
Calgary
President and
Chief Executive Officer
Canadian Pacific Railway
Company

P.G. Robinson
Woodbridge
President and General Manager
Litens Automotive Group

L.E. Shaw
Barbados
Chairman of the Board
ShawCor Ltd.

V.L. Shaw
Toronto
Vice Chair of the Board
ShawCor Ltd.

W.J.V. Sheridan (1) (2)
Toronto
Managing Partner
Lang Michener

Z.D. Simo (2)
Oakville
Corporate Director

D.C. Vaughn
Dallas
Consultant

CORPORATE OFFICERS

L.E. Shaw
Chairman of the Board

V.L. Shaw
Vice Chair of the Board

G.F. Hyland
President and
Chief Executive Officer

W.P. Buckley
Executive Vice President and
Chief Operating Officer

B.J. Conroy
Senior Vice President

A.R. Thomas
Vice President, Finance and
Chief Financial Officer

P.H. Langdon
Vice President,
Human Resources
and Assistant Secretary

R.E. Steele
Vice President, Technology

W.J.V. Sheridan
Secretary

OPERATIONAL MANAGEMENT

M.D. Reizer
President
Bredero - Shaw

G.L. Graham
Vice President,
Corporate Development
ShawCor Ltd.

V.E. Butera
Vice President and
General Manager
DSG - Canusa

R.J. Dunn
Vice President and
General Manager
Canusa - CPS

D.V. Goodridge
Vice President and
General Manager
OMSCO

L.W.J. Hutchison
Vice President and
General Manager
Shaw Pipeline Services

E.R. Reynolds
Vice President and
General Manager
ShawFlex

K.C. Willson
Vice President and
General Manager
Guardian

(1) Member of Audit Committee

(2) Member of Compensation
Committee

PRIMARY OPERATING LOCATIONS

EXPLORATION AND PRODUCTION

OMSCO
A division of ShawCor Inc.
6300 Navigation Blvd.
Houston, Texas 77011
Phone: 713-844-3700
Fax: 713-844-3708

Guardian
A division of ShawCor Ltd.
950 - 78th Avenue
Edmonton, Alberta T6P 1L7
Phone: 780-440-1444
Fax: 780-440-4261

PIPELINE

Shaw Pipeline Services
A division of ShawCor Inc.
200 - 15411 W. Vantage Pkwy.
Houston, Texas 77032
Phone: 832-601-0850
Fax: 281-442-1593

Canusa - CPS
A division of ShawCor Ltd.
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-5927

Bredero - Shaw
Bredero Price Coaters Ltd.
258 Bath Road
Slough SL1 4DX
England
Phone: 44-1753-568600
Fax: 44-1753-567448

Bredero Price Company
2350 N. Sam Houston Pkwy. E.
Suite 500
Houston, Texas 77032-3130
Phone: 281-886-2350
Fax: 281-886-2351

Bredero Price
Singapore Pte. Ltd.
400 Orchard Road
#12-08-09 Orchard Tower
Singapore 238875
Phone: 65-732-2355
Fax: 65-732-9073

Shaw Pipe Protection Limited
Shaw Court
1200 - 630, 3rd Avenue S.W.
Calgary, Alberta T2P 4L4
Phone: 403-263-2255
Fax: 403-264-3649

PETROCHEMICAL AND INDUSTRIAL

ShawFlex
A division of ShawCor Ltd.
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-2565

DSG - Canusa
A division of ShawCor Ltd.
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-7752



HEAD OFFICE

25 BETHRIDGE ROAD
TORONTO, ONTARIO,
CANADA M9W 1M7

TELEPHONE: 416-743-7111
FACSIMILE: 416-743-7199

WWW.SHAWCOR.COM

AUDITORS

ERNST & YOUNG LLP

BANKERS

THE TORONTO-DOMINION BANK

TRANSFER AGENT AND REGISTRAR

COMPUTERSHARE TRUST
COMPANY OF CANADA

STOCK LISTING

THE TORONTO STOCK EXCHANGE

CLASS "A"

SUBORDINATE VOTING SHARES
TRADING SYMBOL: SCL.A

CLASS "B"

MULTIPLE VOTING SHARES
TRADING SYMBOL: SCL.B

ANNUAL MEETING

FRIDAY, MAY 10, 2002
11:00 A.M.

FAIRMOUNT ROYAL YORK HOTEL
TORONTO, ONTARIO, CANADA